

## Message Text

UNCLASSIFIED

PAGE 01 THE HA 02832 041622Z

43

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 TRSE-00 SEC-01 AID-05

CIAE-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 SS-15 NSC-05 PA-02

PRS-01 L-03 /095 W

----- 047640

R 041551Z JUN 75

FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC 6035

INFO USMISSION OECD PARIS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

UNCLAS THE HAGUE 2832

PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, NL, US

SUBJ: CENTRAL BANKS SOAKS UP EXCESS LIQUIDITY WITH U.S.

TREASURY BILLS

1. ON MAY 28 THE NETHERLANDS CENTRAL BANK SOLD 384 MILLION GUILDERS IN US TREASURY BILLS BY TENDER, AT A RATE OF EXCHANGE FIXED BY THE BANK AT 2.40 GUILDERS PER DOLLAR. THE BILLS, WHICH WILL BE BROUGHT BACK BY THE CENTRAL BANK BY JUNE 6, WILL PAY ONE AND THREE EIGHTS PERCENT INTEREST AT AN ANNUAL RATE. EARLIER (ON MAY 23) THE CENTRAL BANK SOLD 446 MILLION GUILDERS IN DUTCH TREASURY BILLS, ALSO TO YIELD 1-3/8 PERCENT ANNUAL INTEREST AND ALSO TO BE PICKED UP AGAIN BY THE BANK BY JUNE 6.

2. BOTH CENTRAL BANK ACTIONS WERE AIMED AT SOAKING UP EXCESS LIQUIDITY IN THE MONEY MARKET.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 THE HA 02832 041622Z

3. FYI. IT IS THE POLICY OF THE CENTRAL BANK TO AVOID WHERE POSSIBLE THE USE OF NON-INTEREST BEARING INSTRUMENTS FOR PURPOSES OF LIQUIDITY CONTROL. (NEVERTHELESS, IN CONJUNCTION WITH THE ABOVE TENDERS, IT RAISED FROM A LEVEL OF NIL TO A LEVEL OF 1 PERCENT THE "CASH RESERVE" OF THE COMMERCIAL BANKS WITH THE CENTRAL BANK FOR THE PERIOD MAY 29 TO JUNE 4, THEREBY WITHDRAWING ANOTHER 420 MILLION GUILERS FROM THE MARKET). HOWEVER, THE CENTRAL BANK'S SUPPLY OF DUTCH TREASURY BILLS IS LIMITED (AND HAS BEEN SO HISTORICALLY), FORCING IT TO SEEK ALTERNATIVE MEANS OF CARRYING OUT THE ABOVE POLICY. OVER THE PAST COUPLE OF YEARS THE CENTRAL BANK HAS THEREFORE UTILIZED WITH THE NEW YORK FEDERAL RESERVE BANK'S CONSENT, ITS SUPPLY OF U.S. TREASURY BILLS TO BRIDGE THE GAP. THE U.S. TREASURY BILLS WHICH ARE "SOLD" IN THIS MANNER BY THE CENTRAL BANK IN FACT DO NOT CHANGE OWNERSHIP BUT REMAIN IN THE CUSTODY OF THE NEW YORK FED FOR THE ACCOUNT OF THE NETHERLANDS CENTRAL BANK.  
TANGUY

UNCLASSIFIED

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** SALES, LIQUIDITY (MONETARY), TREASURY BILLS, TREASURY BILL RATES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975THEHA02832  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750195-0800  
**From:** THE HAGUE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750680/aaaacvak.tel  
**Line Count:** 79  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greeneet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 27 FEB 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <27 FEB 2003 by PhilliR0>; APPROVED <29 JAN 2004 by greeneet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** CENTRAL BANKS SOAKS UP EXCESS LIQUIDITY WITH U.S. TREASURY BILLS  
**TAGS:** EFIN, NL, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006